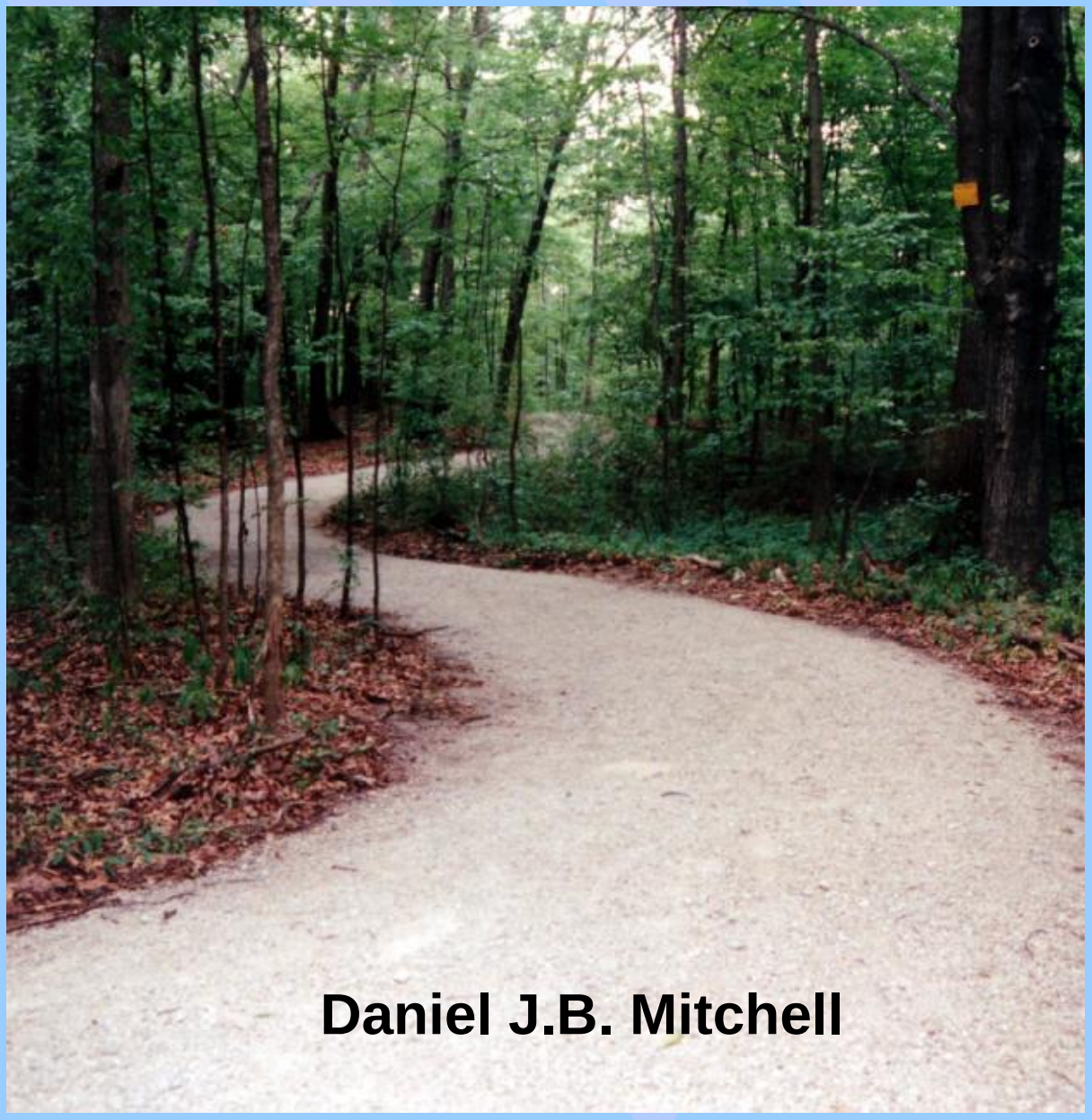
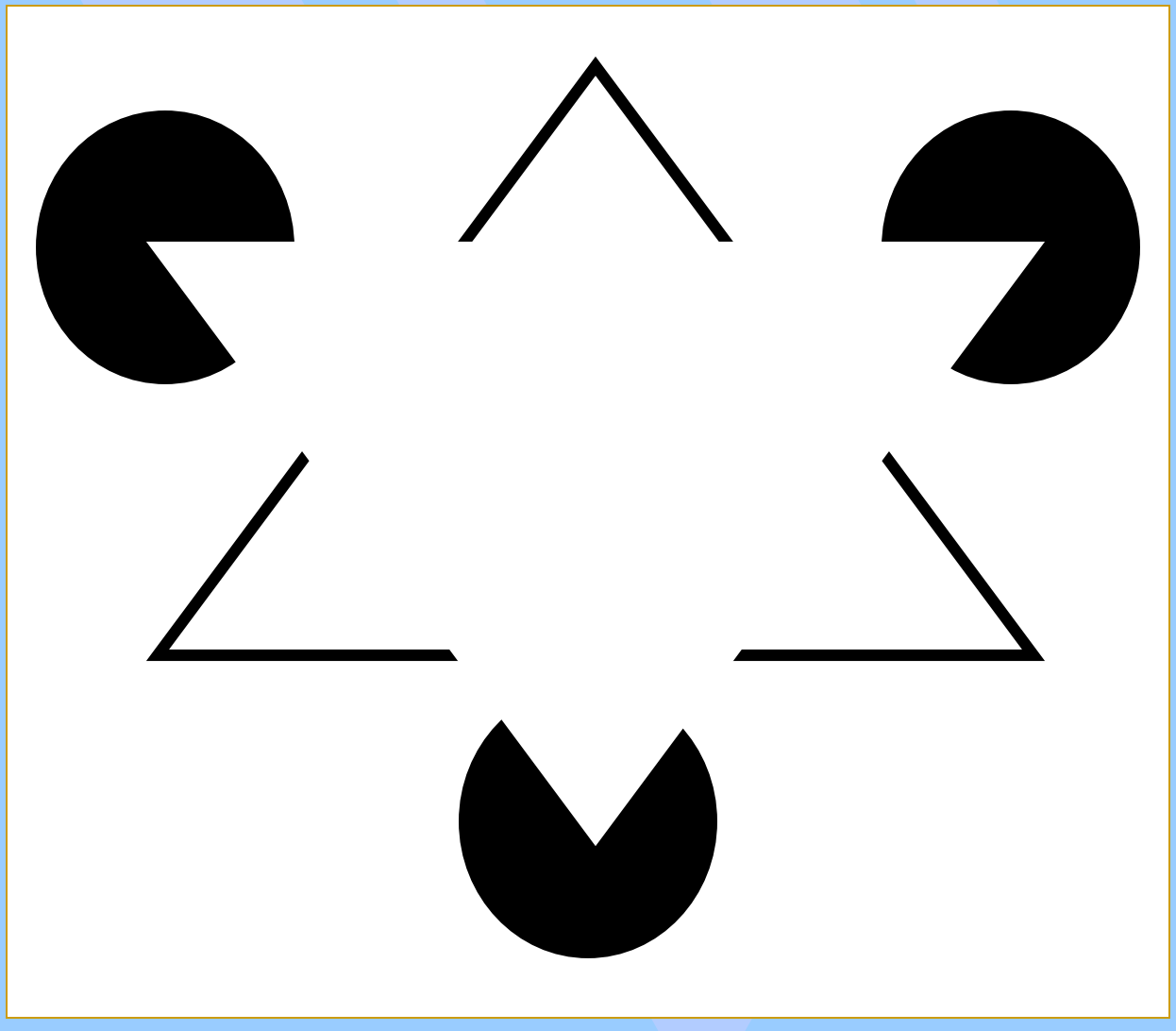
Employment and Public Policy

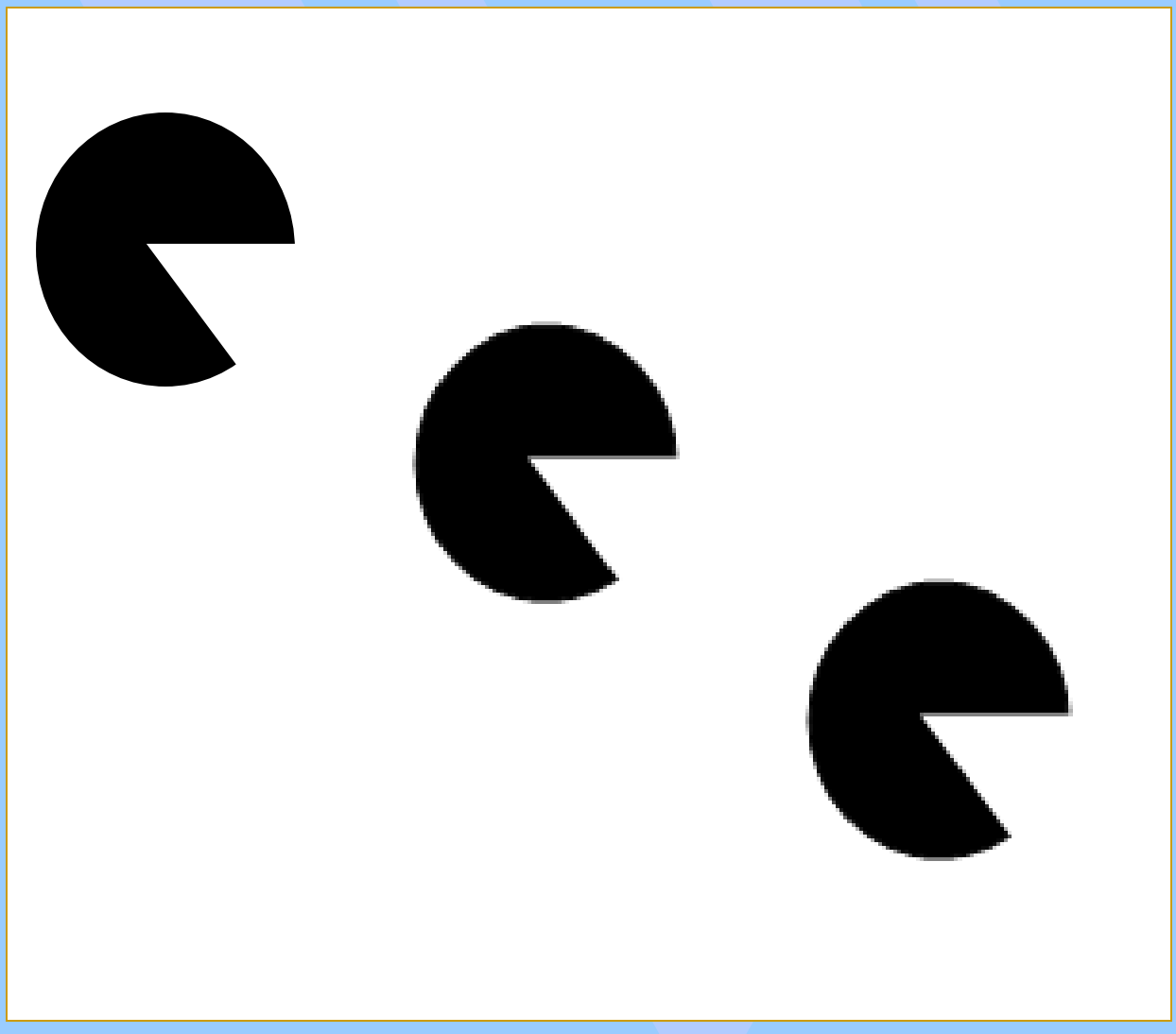


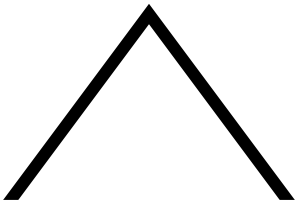
Daniel J.B. Mitchell

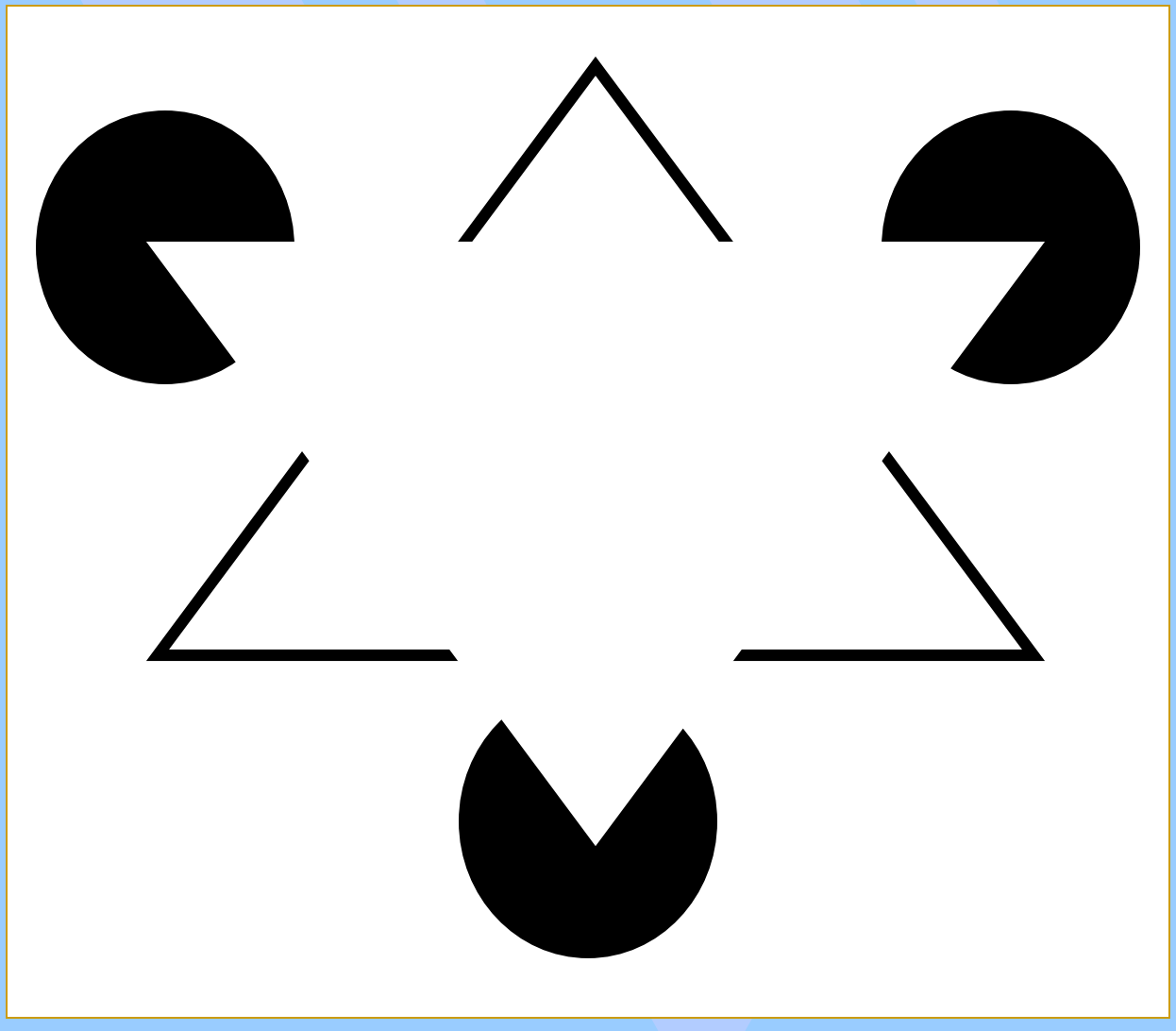
Sept. 19, 2007

Do you see the two triangles?









Common Problems

Sept. 19, 2007

Different Solutions

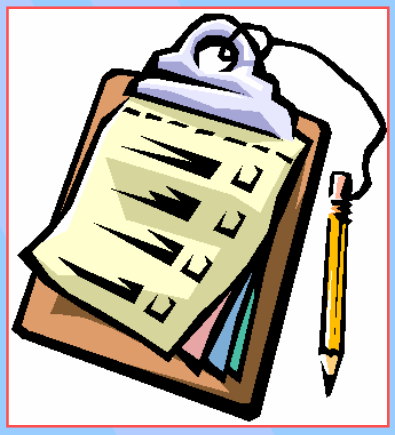
Sept. 19, 2007

Path Dependence

Sept. 19, 2007

Today's Agenda

- **Common Problems in Employment**
- **U.S. Employment**
  - *History*
  - *Current Patterns*
- **U.S. Institutions of Public Policy**
  - *General Policy*
  - *Policy Towards Employment*
- **A Current California Example**
  - *Background on California*
  - *Who should provide health insurance?*



Common Problems

"My boss is always telling me what to do."

Hierarchy

Shareholders

CEO

VPs

Middle Managers

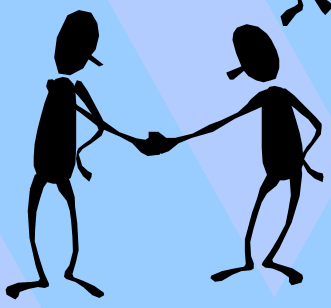
First-Line Supervisors

Nonsupervisory Employees

How Do You Get the Help to Do What You Want?

- **Compensate**

- **Motivate**



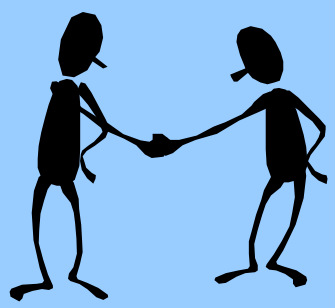
- **Monitor and Control**

Where Does the Enterprise End Up?

Compensate

Motivate

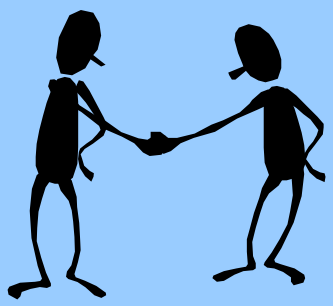
Monitor and Control



Compensate

Motivate

Monitor and Control



Where did UK Burger King end up?

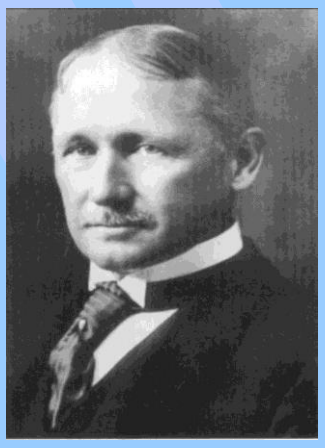
- ***Pay level and incentive***
- ***Monitor time standards***
- ***Non-cash motivation***

How did these approaches evolve?

U.S. Corporate Model: 1920s

Scientific management (Frederick Taylor)

Henry Ford

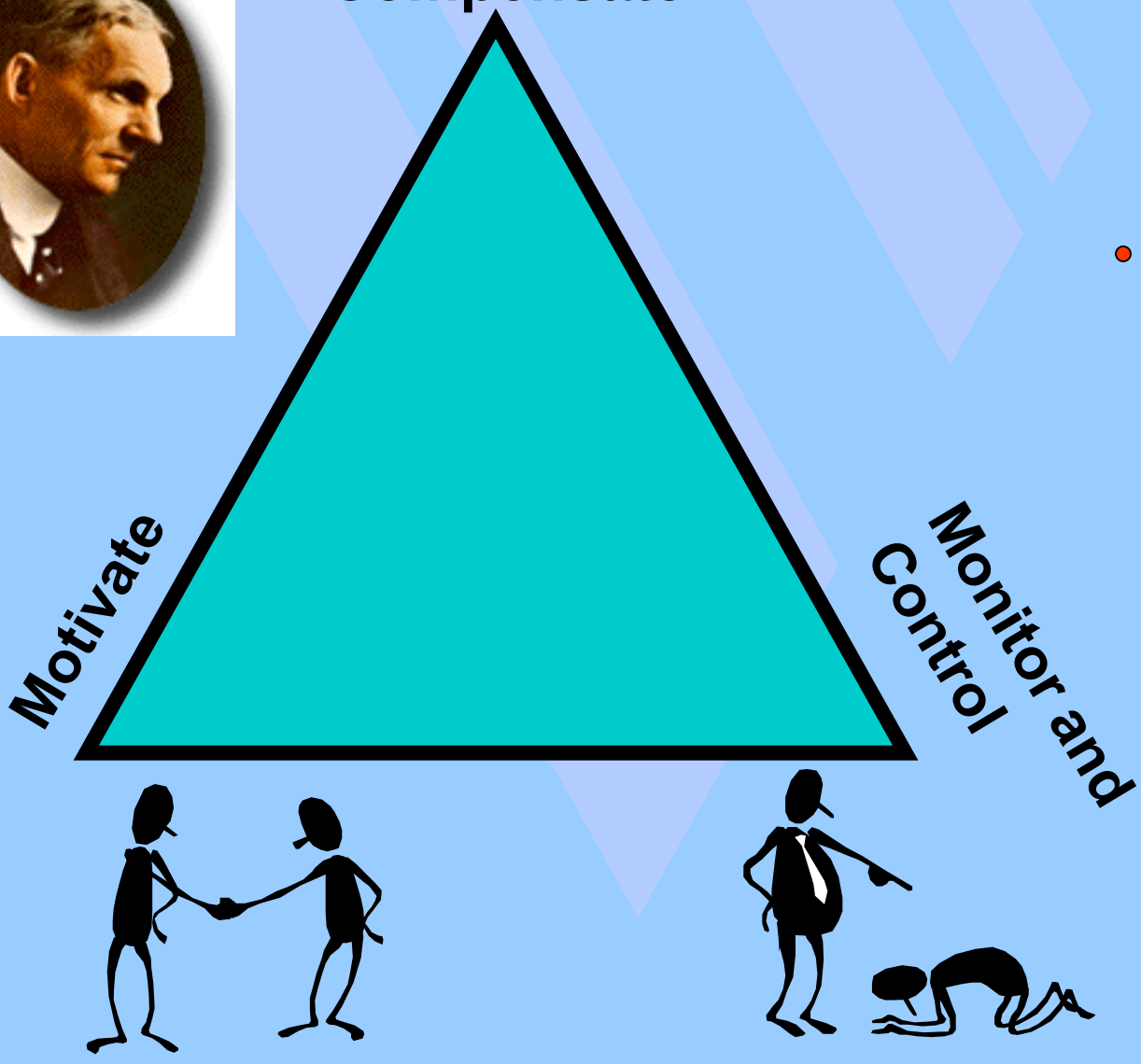


Where did Ford end up?

Compensation

Motivation

Monitor and Control



Early Benefits

Copyright San Diego Historical Society

THE METROPOLITAN AND ITS EMPLOYEES

EMPLOYMENT INVOLVES MUTUAL RESPONSIBILITIES

The following features are included in the Company's broad welfare programme:

GOOD WORKING CONDITIONS
Healthful and attractive workrooms

DAILY LUNCHEONS
Wholesome meals without charge

MEDICAL CARE
Health consistently safeguarded

STAFF SAVINGS FUND
Encouraged by Company subscriptions

TUBERCULOSIS SANATORIUM
Patients receive model care

VOCATIONAL TRAINING
Educational courses and library

17,000 LOYAL EMPLOYEES BENEFITTED

CHART 10. WELFARE EXHIBIT.
Prepared for the Panama-California Exposition, San Diego, Cal., 1915, by the Metropolitan Life Insurance Company, New York.

Early Benefits

Copyright San Diego Historical Society
MEDICAL CARE IN HOME OFFICE
Employees sick during office hours are treated in dispensary
Staff includes physicians and graduate nurses. Specialists treat eye, ear, nose and throat conditions
Staff imparts instruction in personal hygiene
Returned tubercular patients observed and advised
4,000 EMPLOYEES EXAMINED YEARLY

CHART 14. WELFARE EXHIBIT.
Prepared for the Panama-California Exposition, San Diego, Cal., 1915, by the Metropolitan Life Insurance Company, New York.

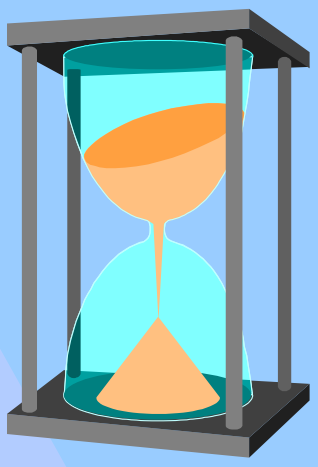
Copyright San Diego Historical Society
LUNCHEON SERVICE AT HOME OFFICE
Luncheon served daily without charge to 4,000 employees in office, printing and mechanical departments
A LUNCHEON
Average cost per meal 22 cents
Total cost $200,000 a year
WHOLESOME LUNCHEONS HAVE PROMOTED EFFICIENCY

CHART 13. WELFARE EXHIBIT.
Prepared for the Panama-Pacific Exposition, San Francisco, Cal., 1915, by the Metropolitan Life Insurance Company, New York.

Copyright San Diego Historical Society
STAFF SAVINGS FUND
The Company adds 50 per cent. to each employee's deposit
The Company's contribution with interest may be withdrawn because of disability, old age, or at death
A RECENT ACCOUNT CLOSED BY DEATH
Mr.E.C. Deposited in 11½ years $790.00
Amount returned $1,654.74
Gain in 11½ years $864.74
STAFF FUND SEPT. 1ST, 1914
Depositors 9,760
Deposits $1,497,273.64
Company's Subscription $987,324.95
To credit of employees $2,484,598.59
THE SAVINGS FUND ENCOURAGES THRIFT

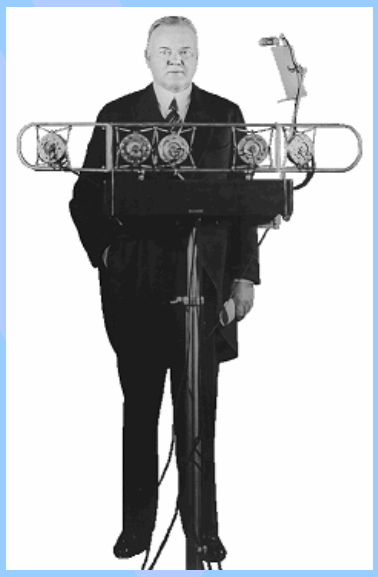
CHART 15. WELFARE EXHIBIT.
Prepared for the Panama-Pacific Exposition, San Francisco, Cal., 1915, by the Metropolitan Life Insurance Company, New York.

Great Depression

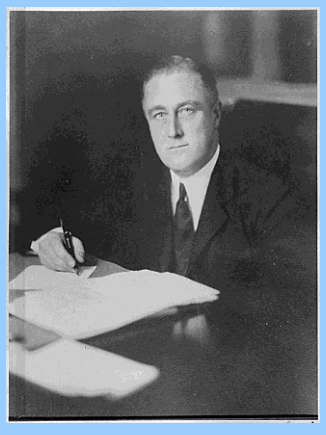


Shift in National Ideology Due to Depression

- **Individual**
  - *"At-will" approach to employment relationship*
  - *Responsible for economic uncertainties*
  - *Saves for retirement*

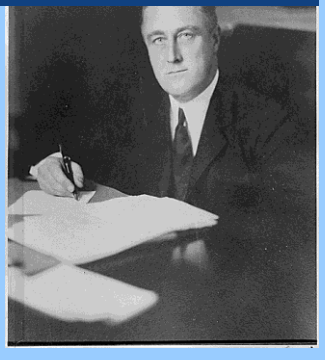


- **Group or Society**
  - *Collective bargaining contracts*
  - *Unemployment insurance*
  - *Social Security pensions*

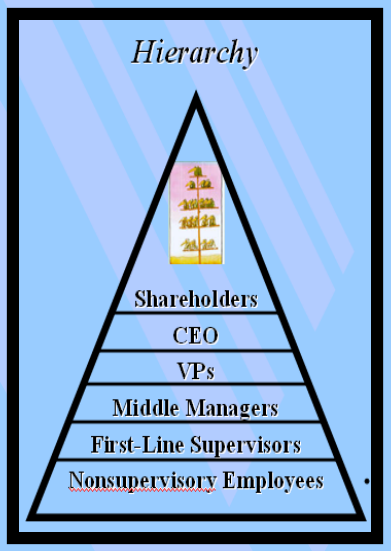


Shift in National Ideology Due to Depression

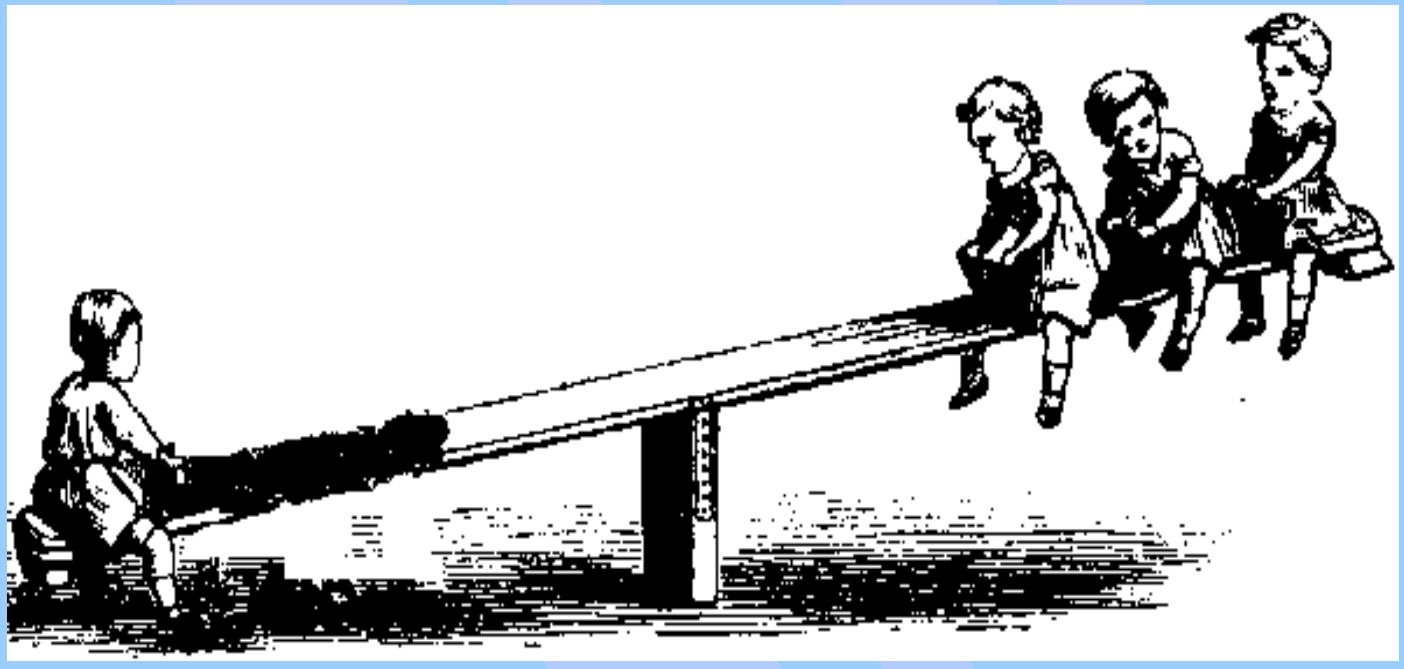
- – *Unemployment insurance*
- – *Social Security pensions*



World War II

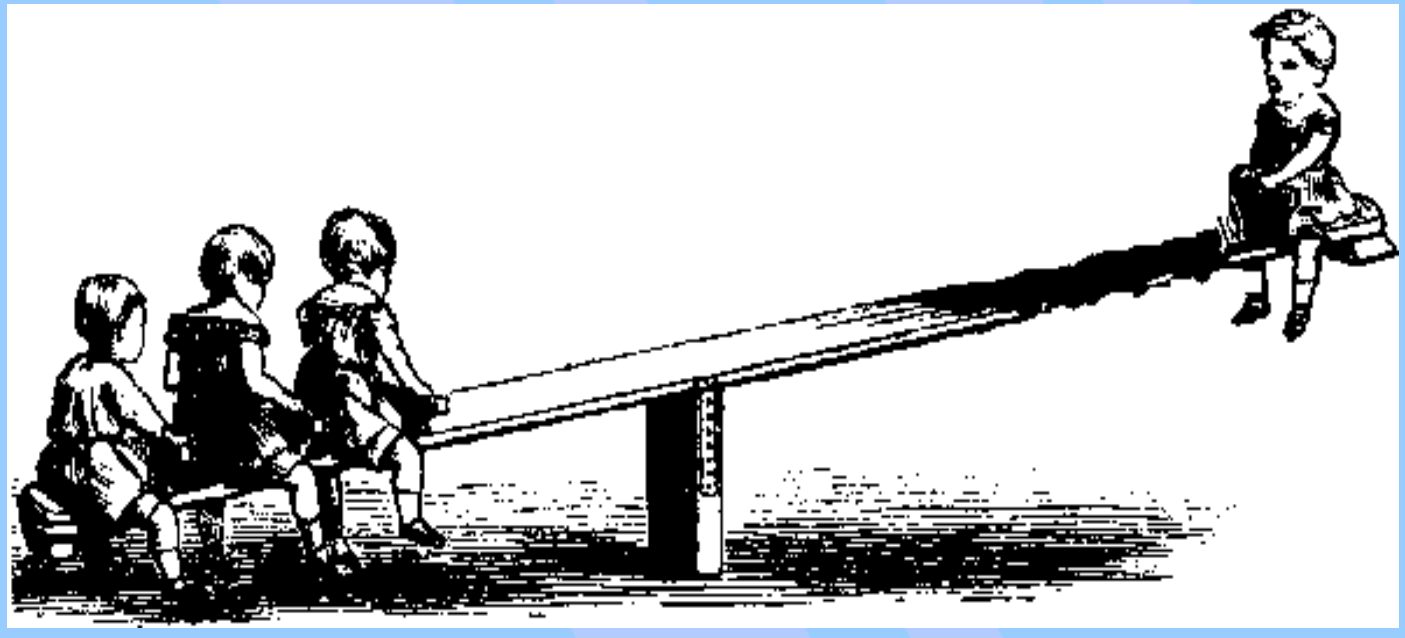

Hierarchy
Shareholders
CEO
VPs
Middle Managers
First-Line Supervisors
Nonsupervisory Employees

Individual vs. Group



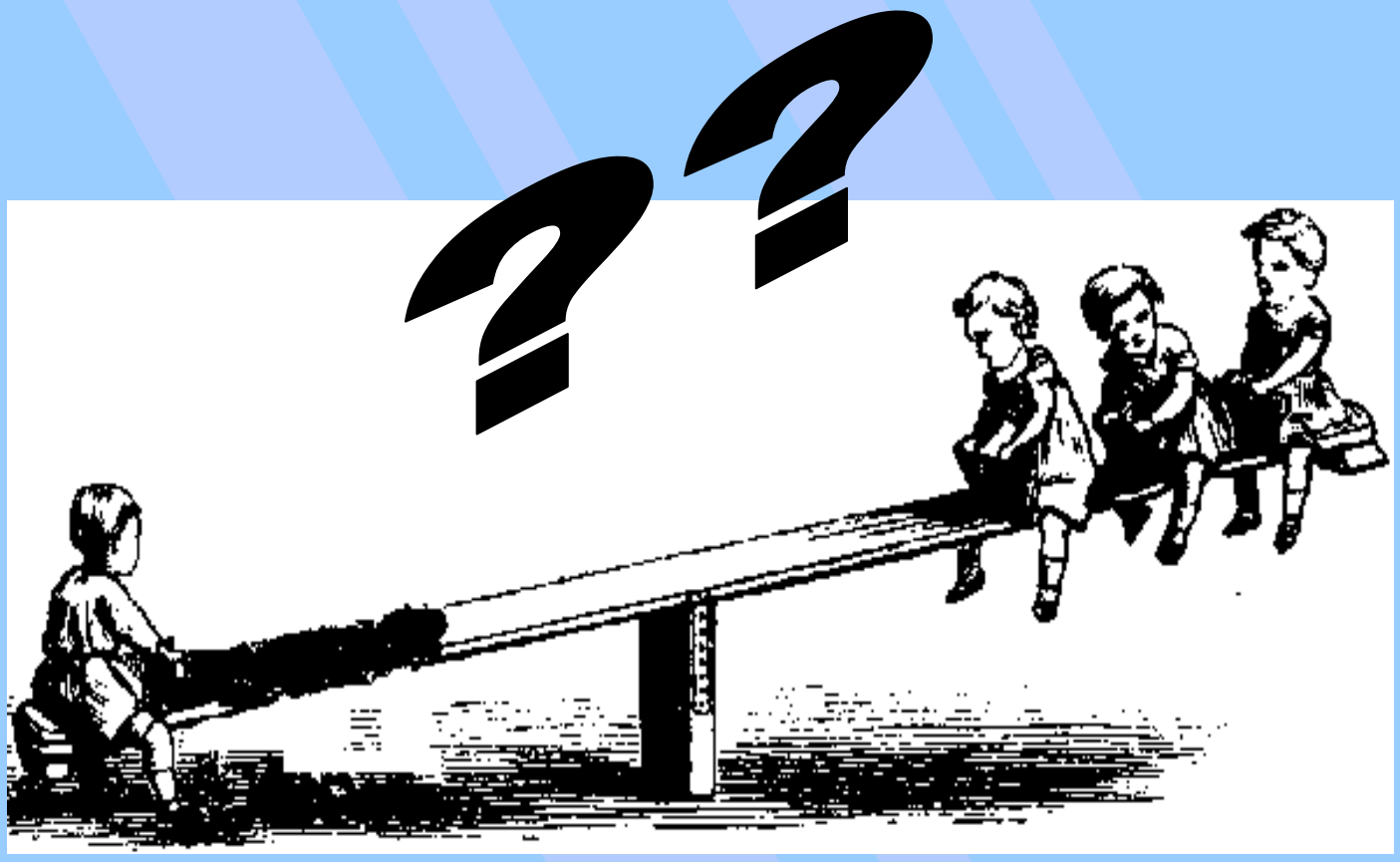
Before 1930s

Individual vs. Group

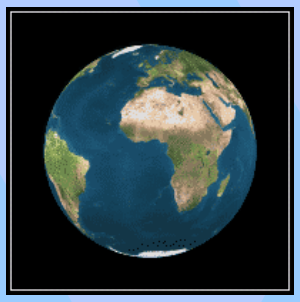


1930s-1970s

Individual vs. Group



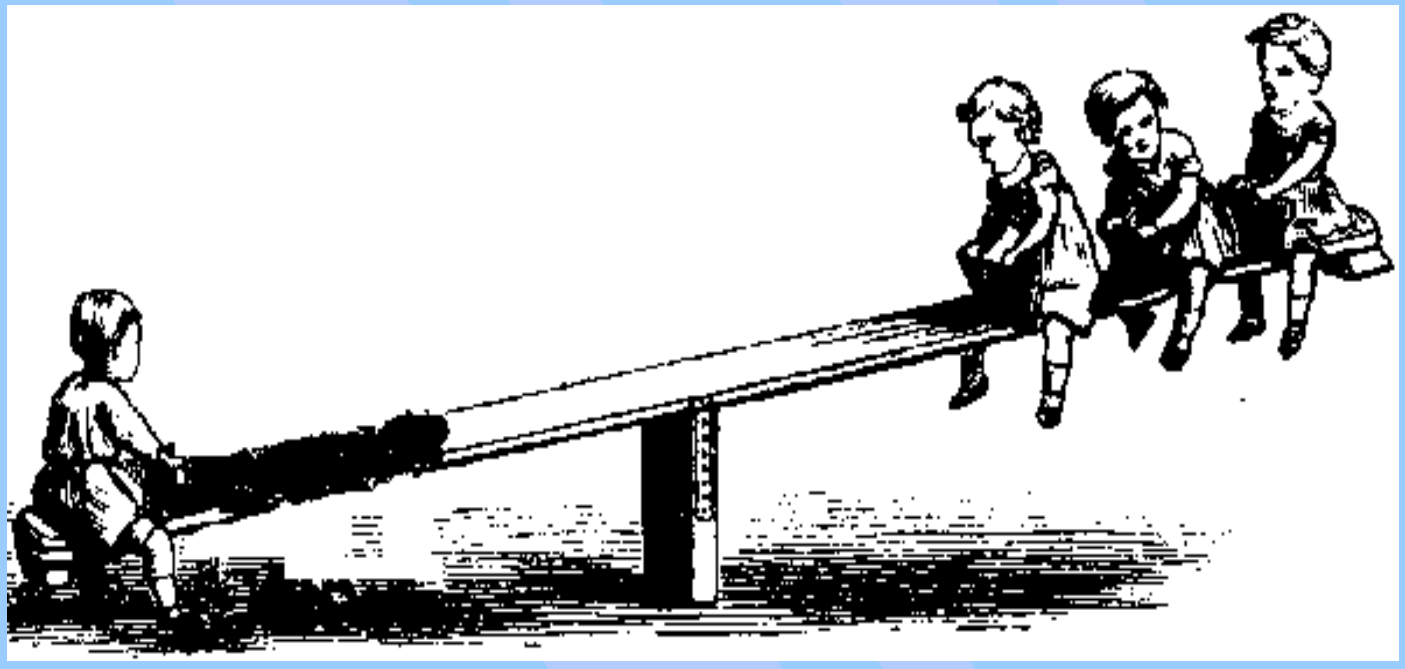
Current Pressures:



Globalization

Deregulation

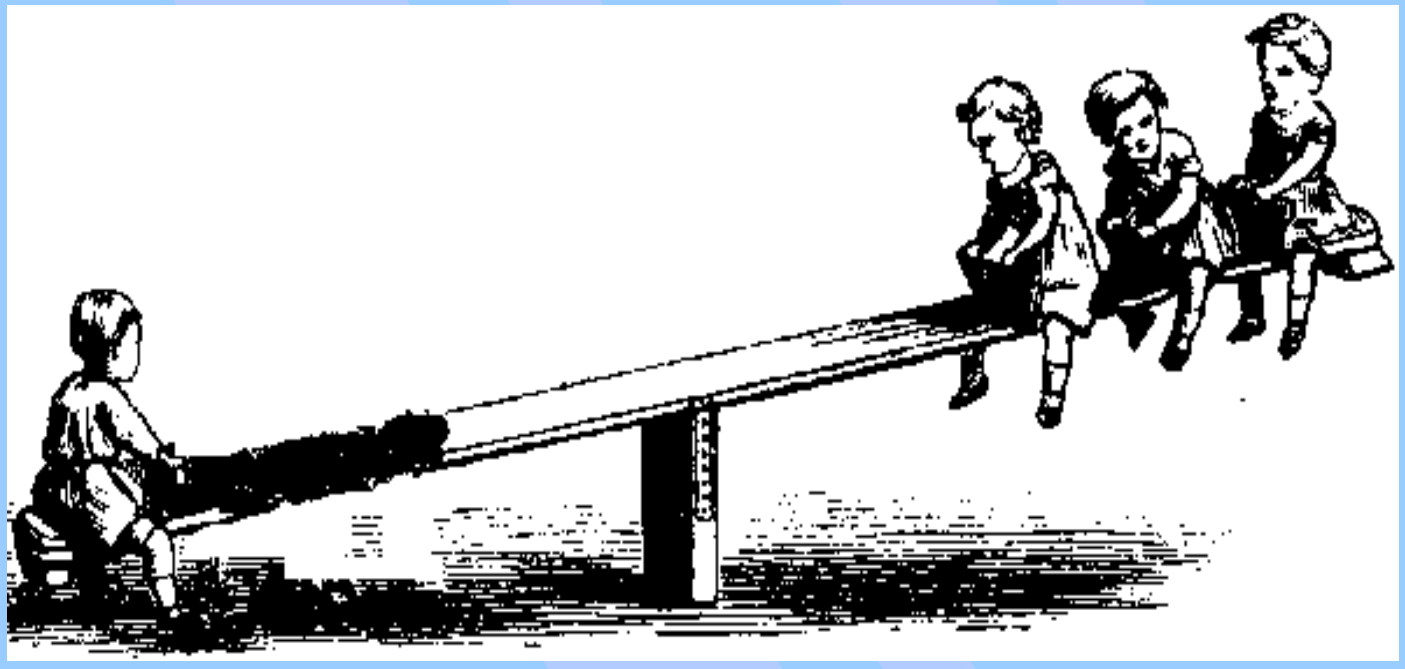
Individual vs. Group



U.S

Europe

Individual vs. Group



U.S

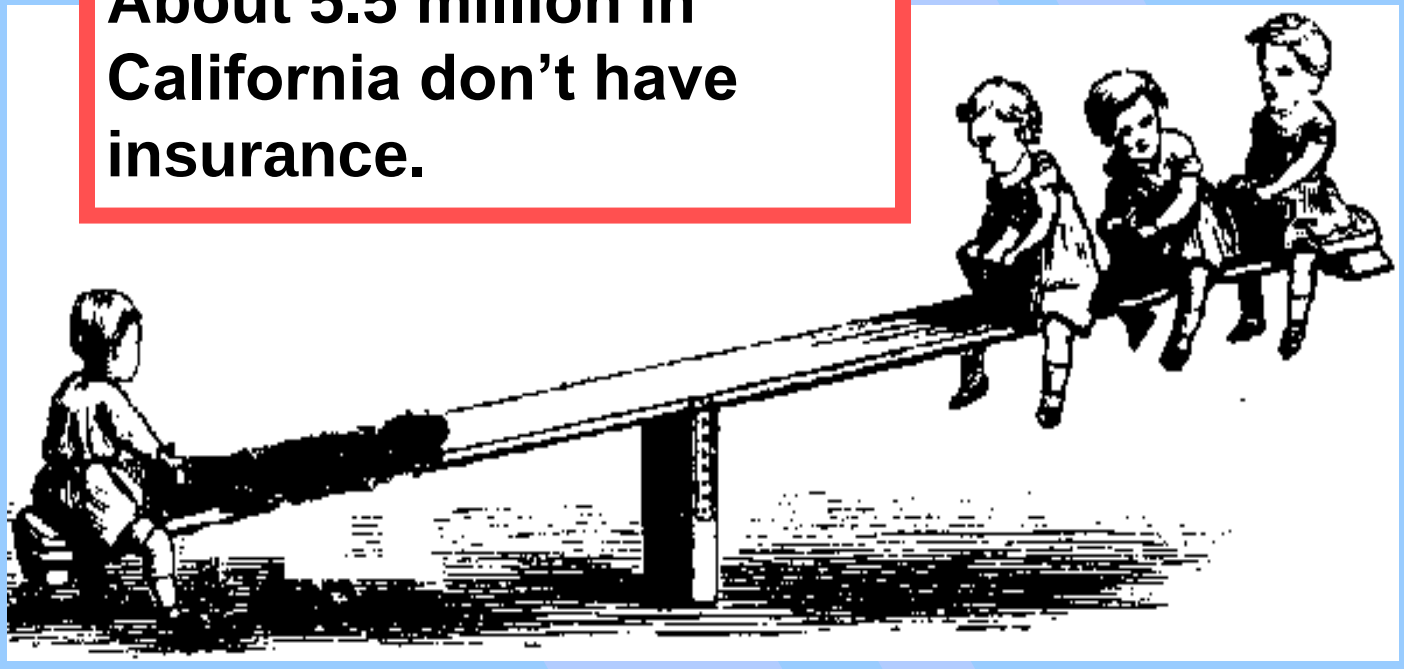
Health insurance mainly provided by employers voluntarily

Europe

Health insurance mainly provided by government

Individual vs. Group

Result: About 45 million don't have insurance. About 5.5 million in California don't have insurance.



U.S

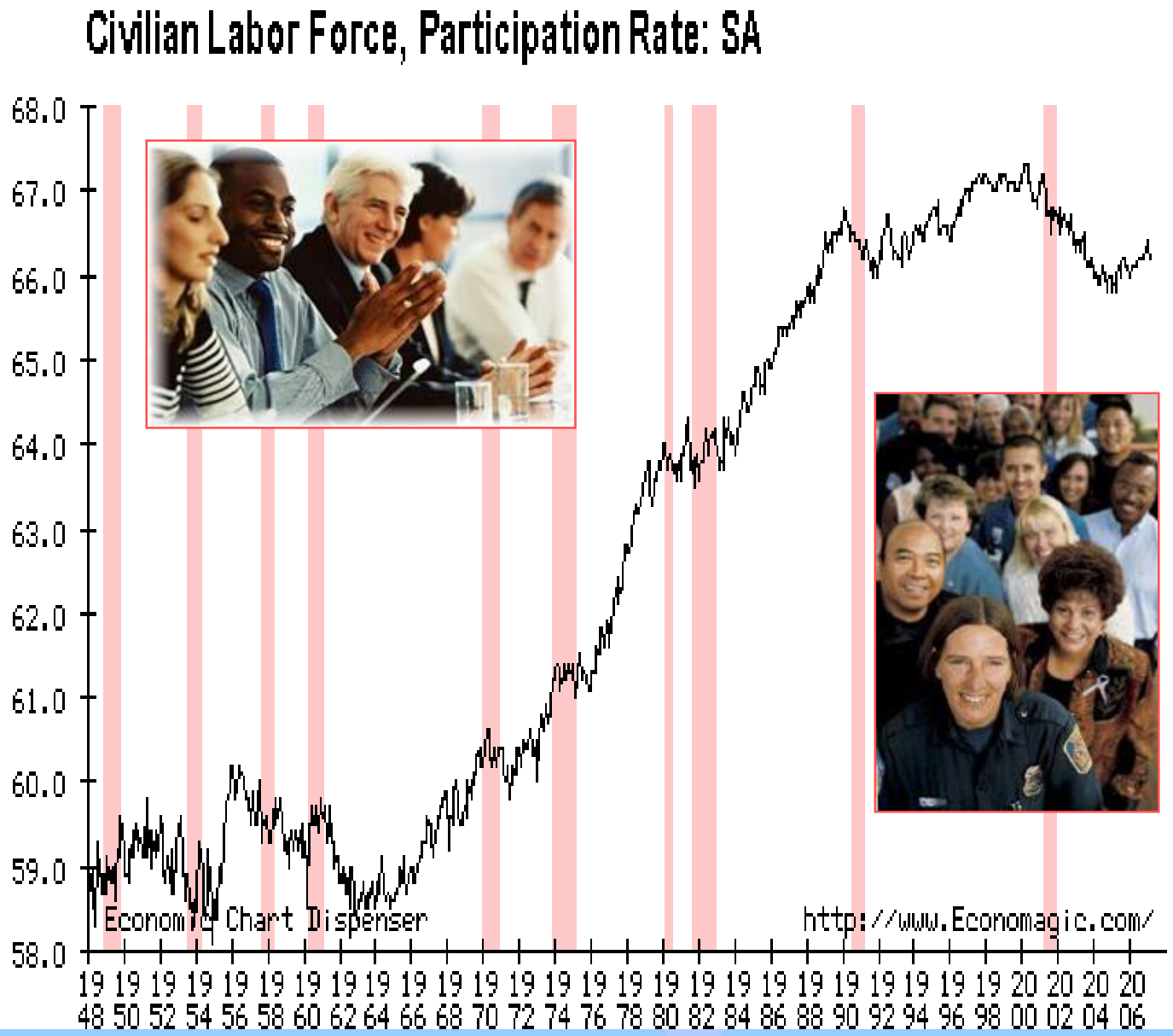
Health insurance mainly provided by employers voluntarily

Europe

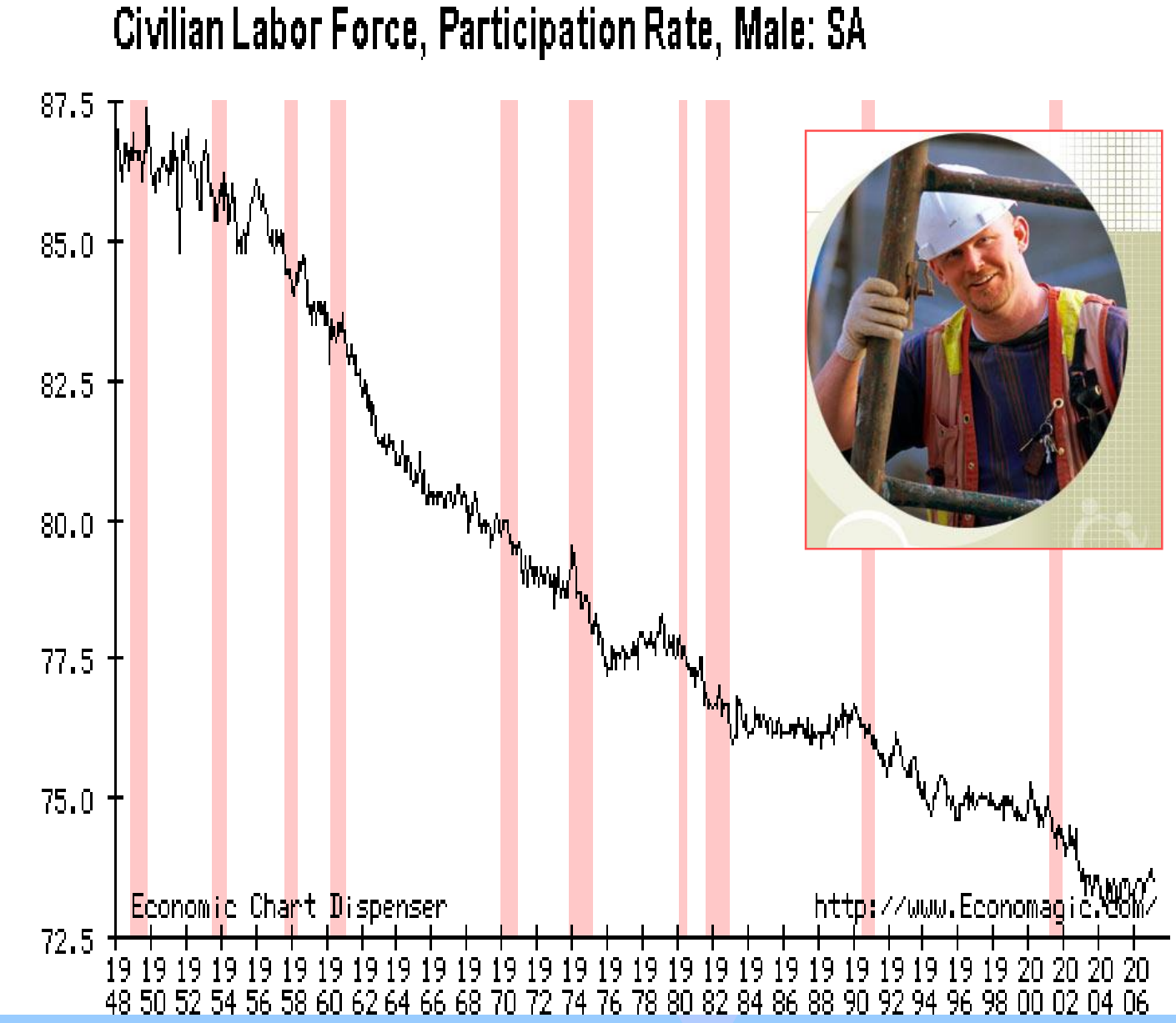
Health insurance mainly provided by government

Painting a Portrait of the U.S. Workforce

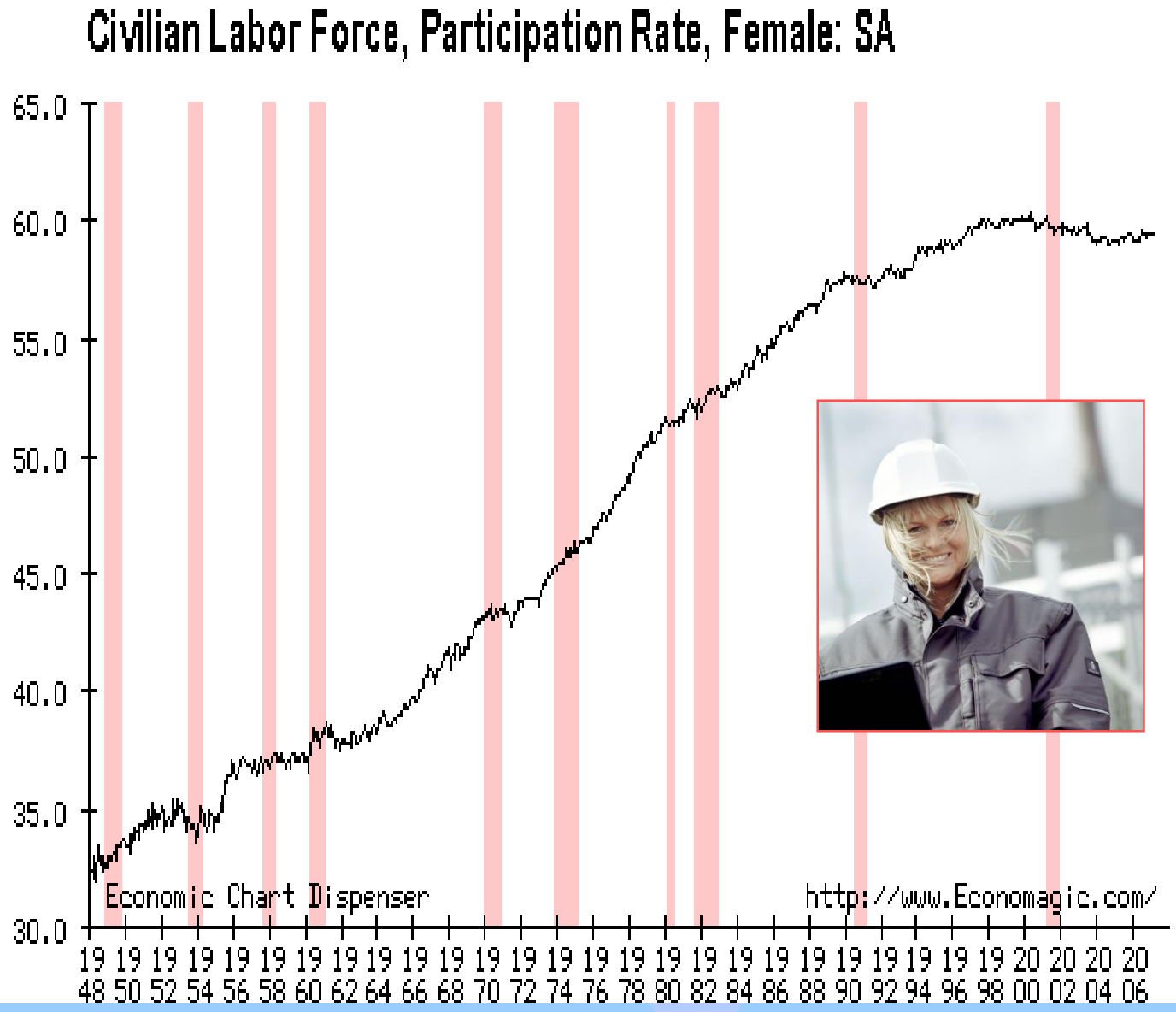
Civilian Labor Force Participation Rate

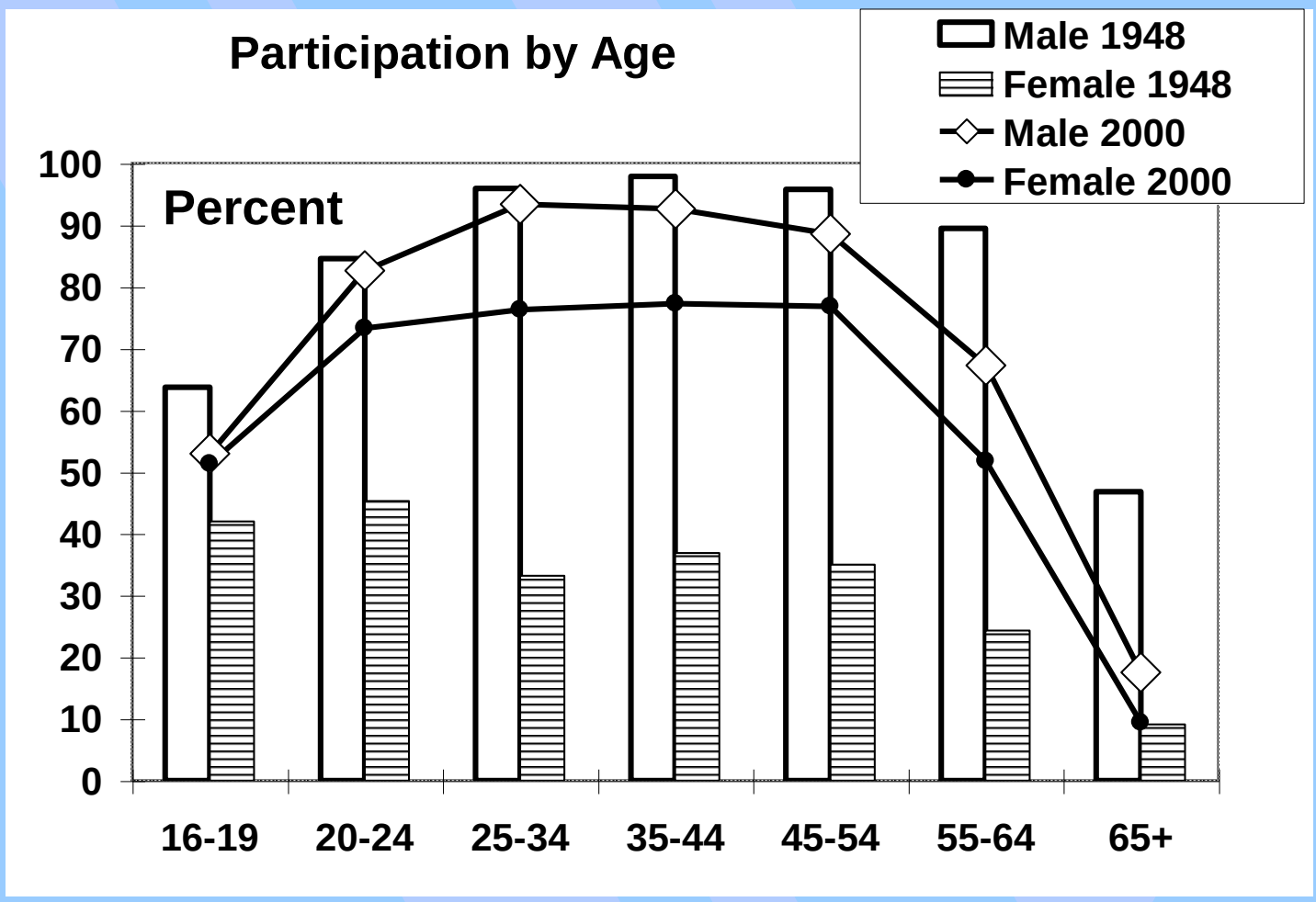


Civilian Labor Force Participation Rate



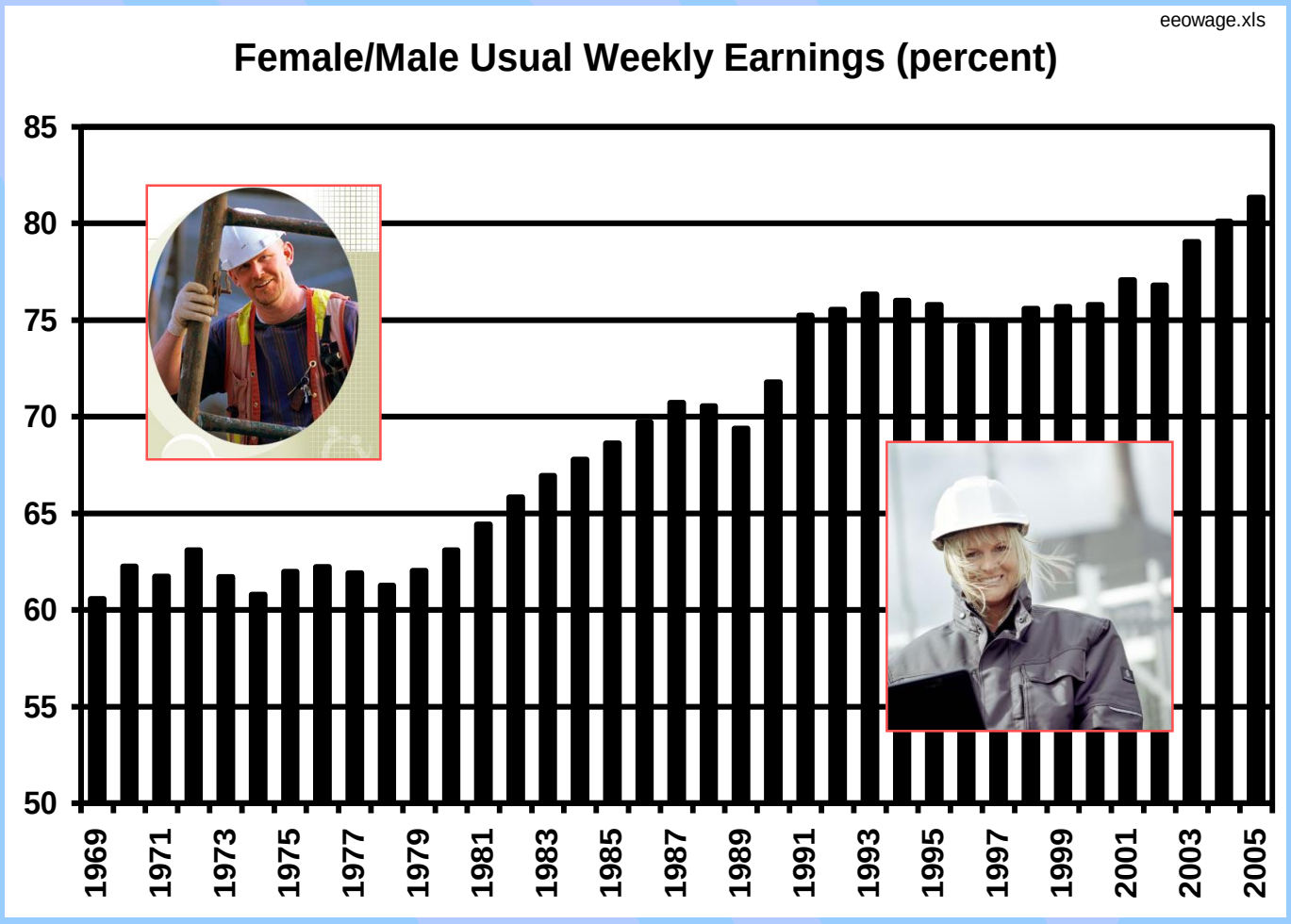
Civilian Labor Force Participation Rate





- Male > female both periods but gap much larger in earlier period (male falls and female rises over time)
- Female no longer shows child-bearing dip
- Elderly male rates show dramatic drop over time

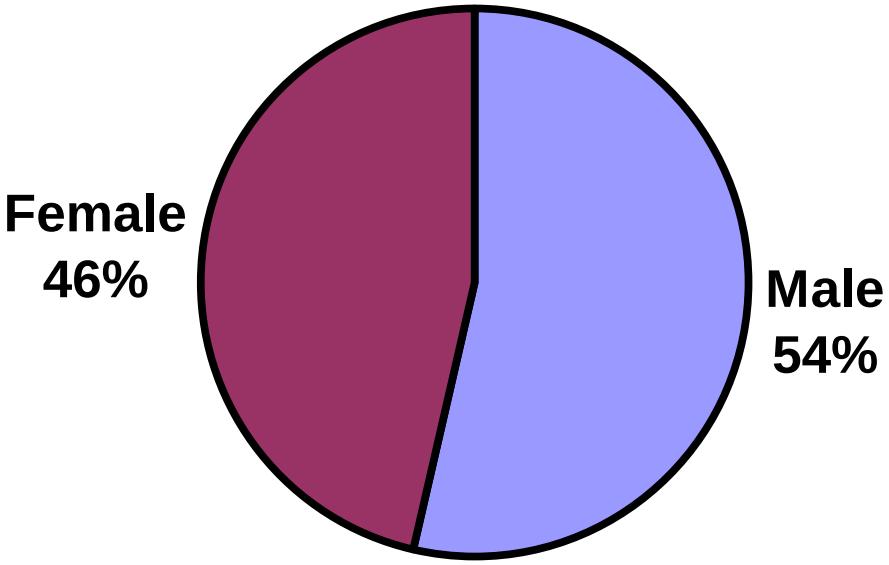
eeowage.xls



- **Female-to-male earnings ratio < 1**
- **Overall female-male earnings ratio rose in 1980s, early 90s, early 2000s**

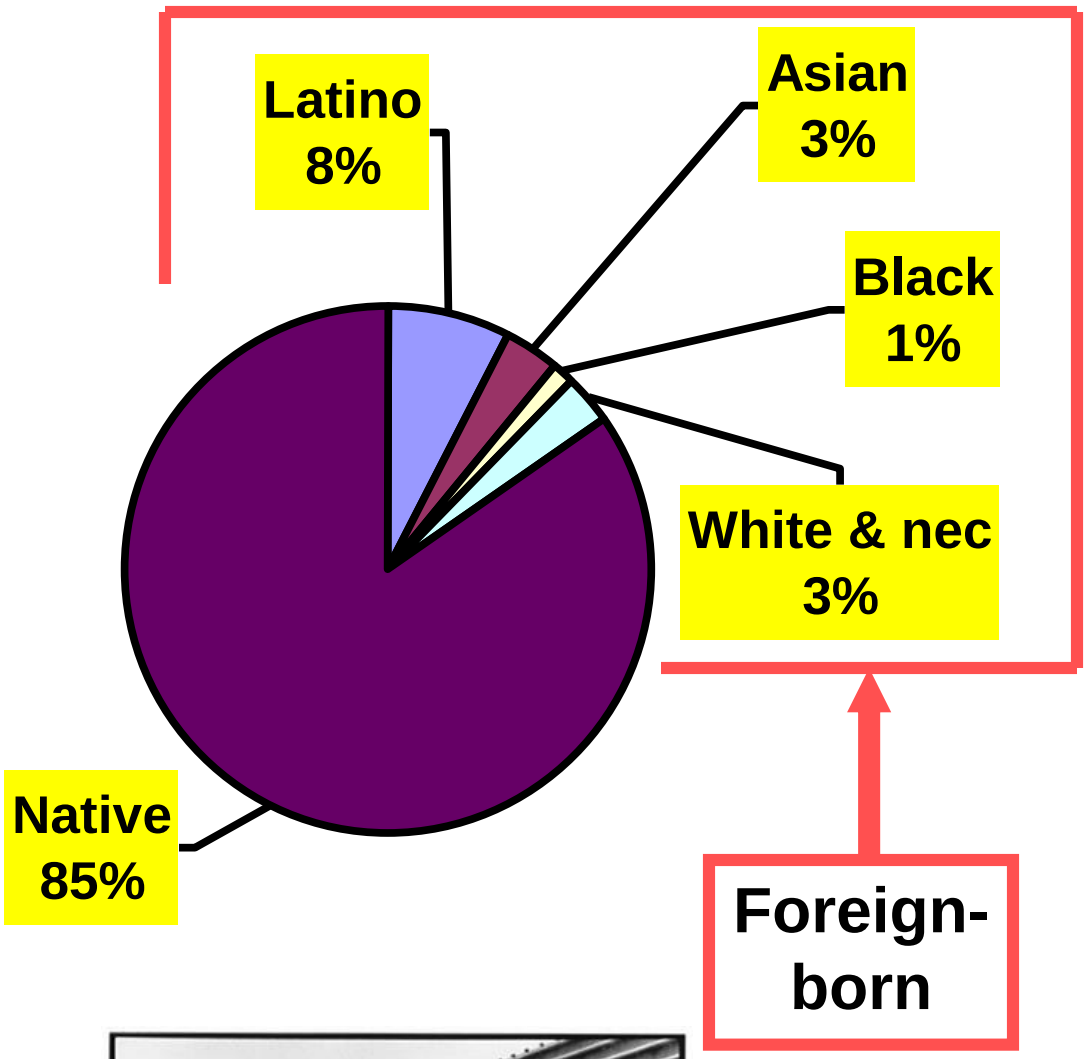
Data for 2nd Qtr of Year Shown

Civilian Labor Force: 2006

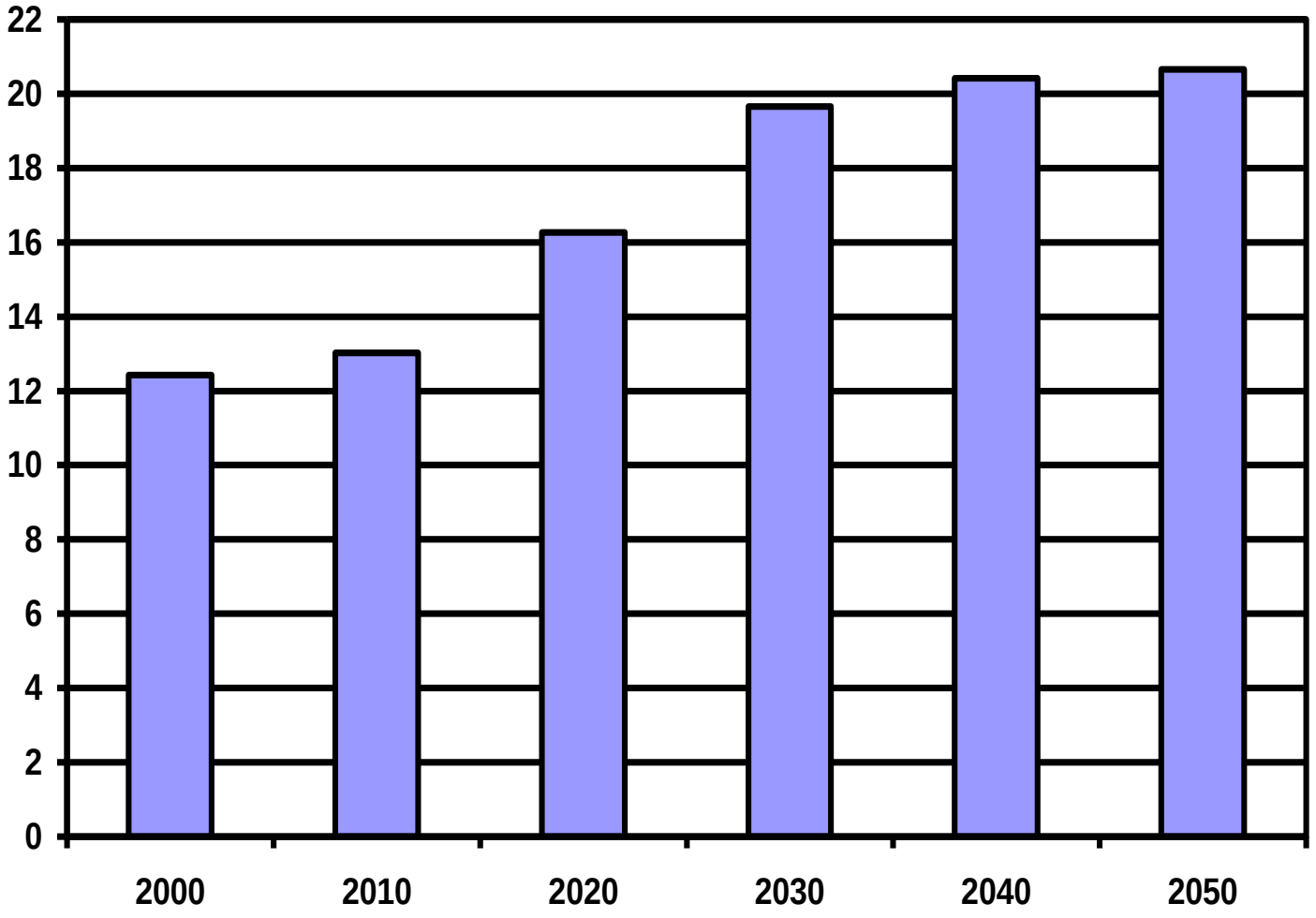


Immigration

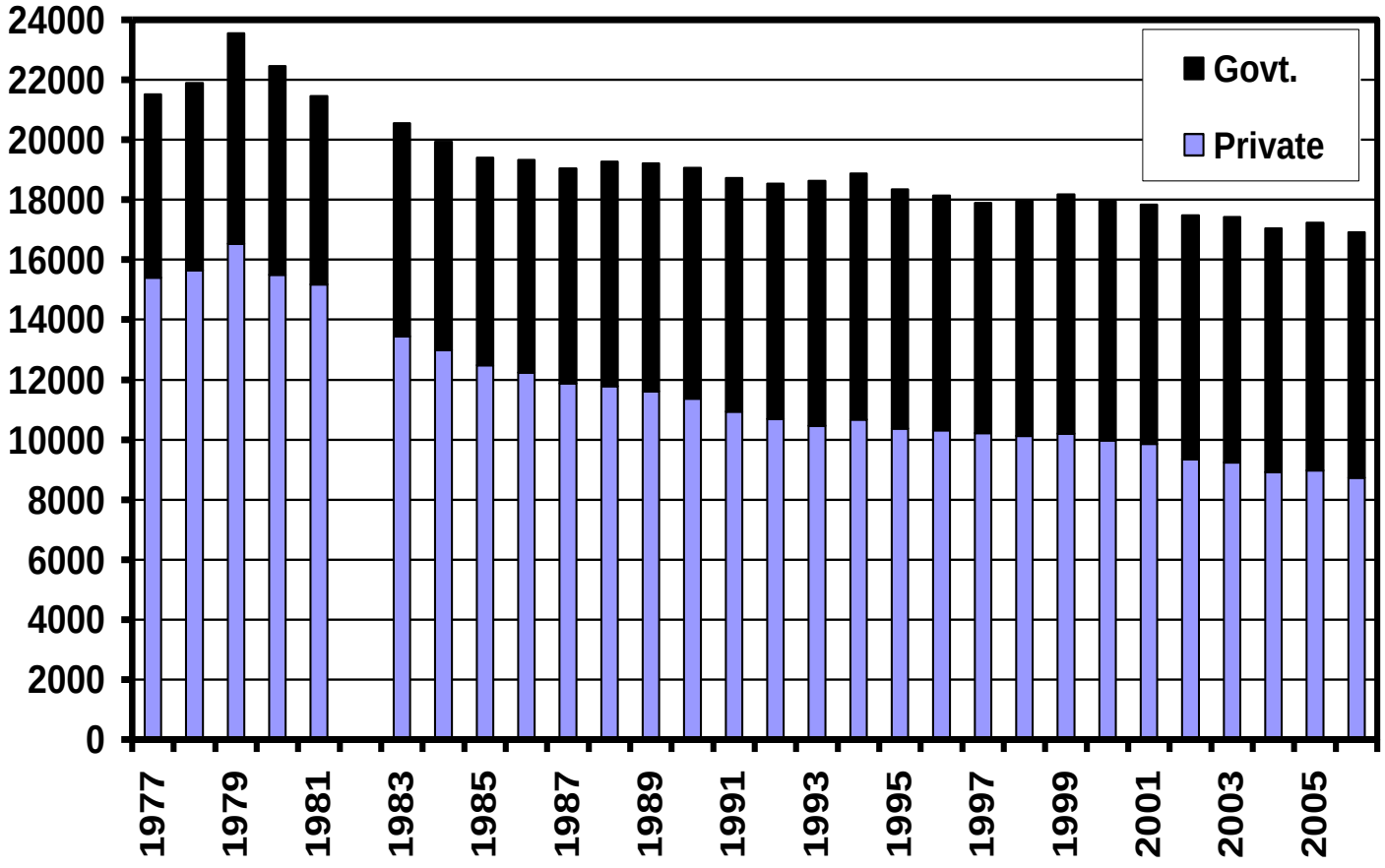
Civilian Labor Force: 2006



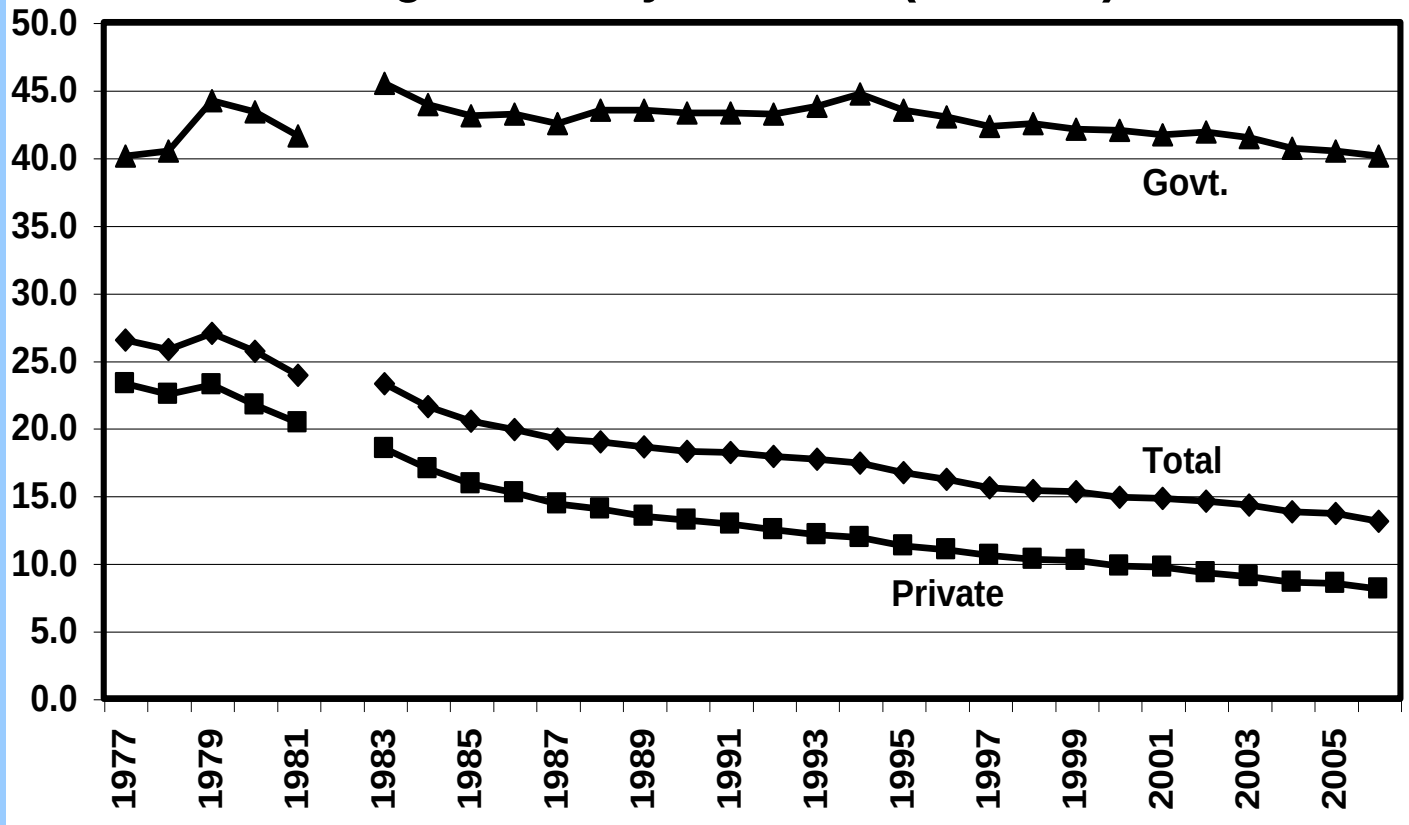
Percent of US Population 65 Years and Older



Number of Union-Represented Wage and Salary Workers (000s)



Union Representation Rates for Wage & Salary Workers (Percent)



Understanding American Public Policy Today

- **Federal Government**
  - *Foreign Policy, Military*
  - *Immigration*
  - *Domestic Economic Policy since the 1930s*
- **State Government**
  - *Defines authority of local goverments*
  - *Most criminal justice*
  - *Economic policy when not pre-empted by federal government*
- **Local Government**
  - *Zoning and planning*
  - *Local roads, traffic*
  - *Police, fire*
  - *Sanitation*
  - *Schools*
  - *Public health*

Understanding American Employment Policy

Federal Government

- Social Security
- Minimum labor standards
  - » Minimum wage
  - » Safety and health
  - » Nondiscrimination (race, sex, age)

- Regulation of union-management affairs for private sector
- Tax incentives for employee benefits
- Policies for federal employees

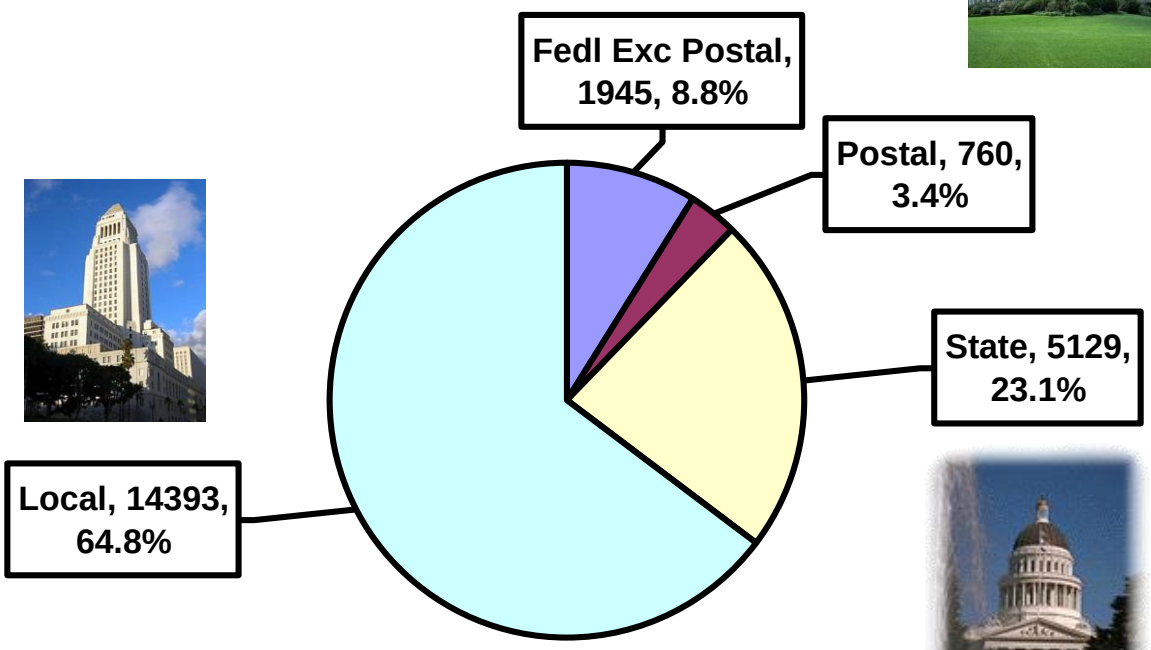
State Government

- Unemployment insurance (joint with federal)
- Labor standards higher than federal where federal government permits
- Workers' compensation insurance
- Policies for state government employees

Local Government

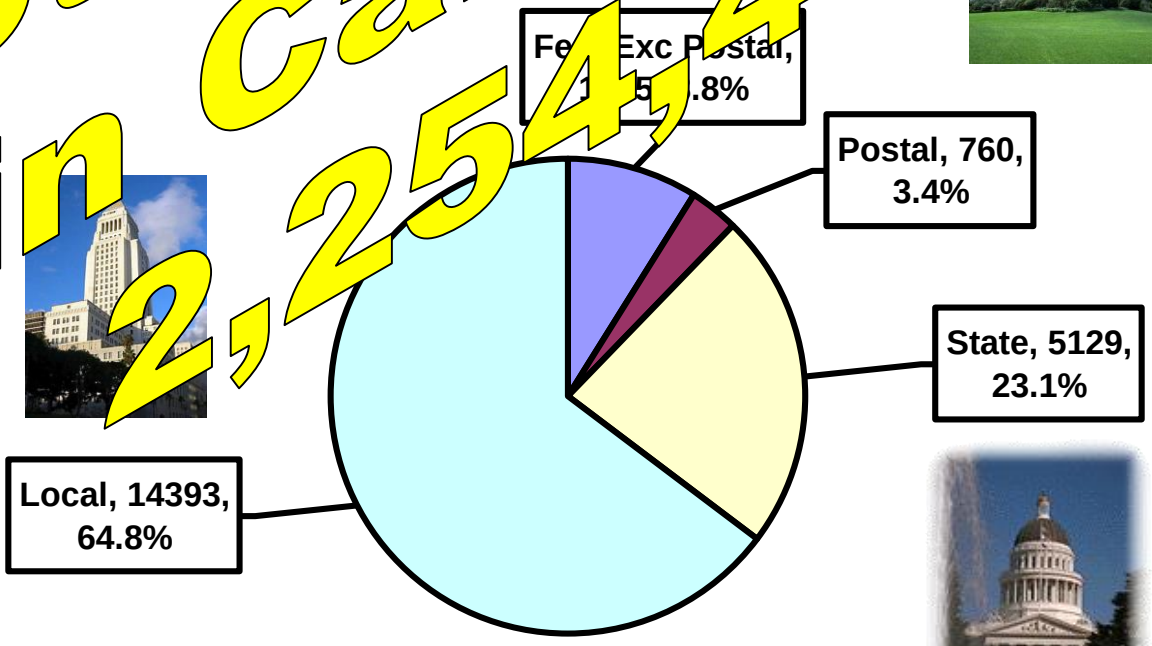
- Policies for local government employees

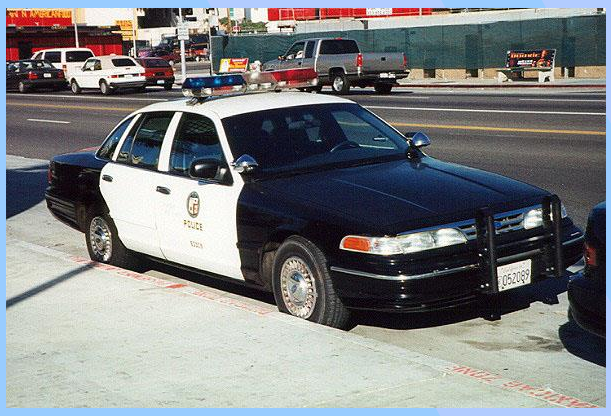
Federal Government Has Most Authority But Most Public Employment is at the State and Local Level



Federal Government Has Most Authority But Most Public Employment is at the State and Local Level

State & Local in California: 2,254,400



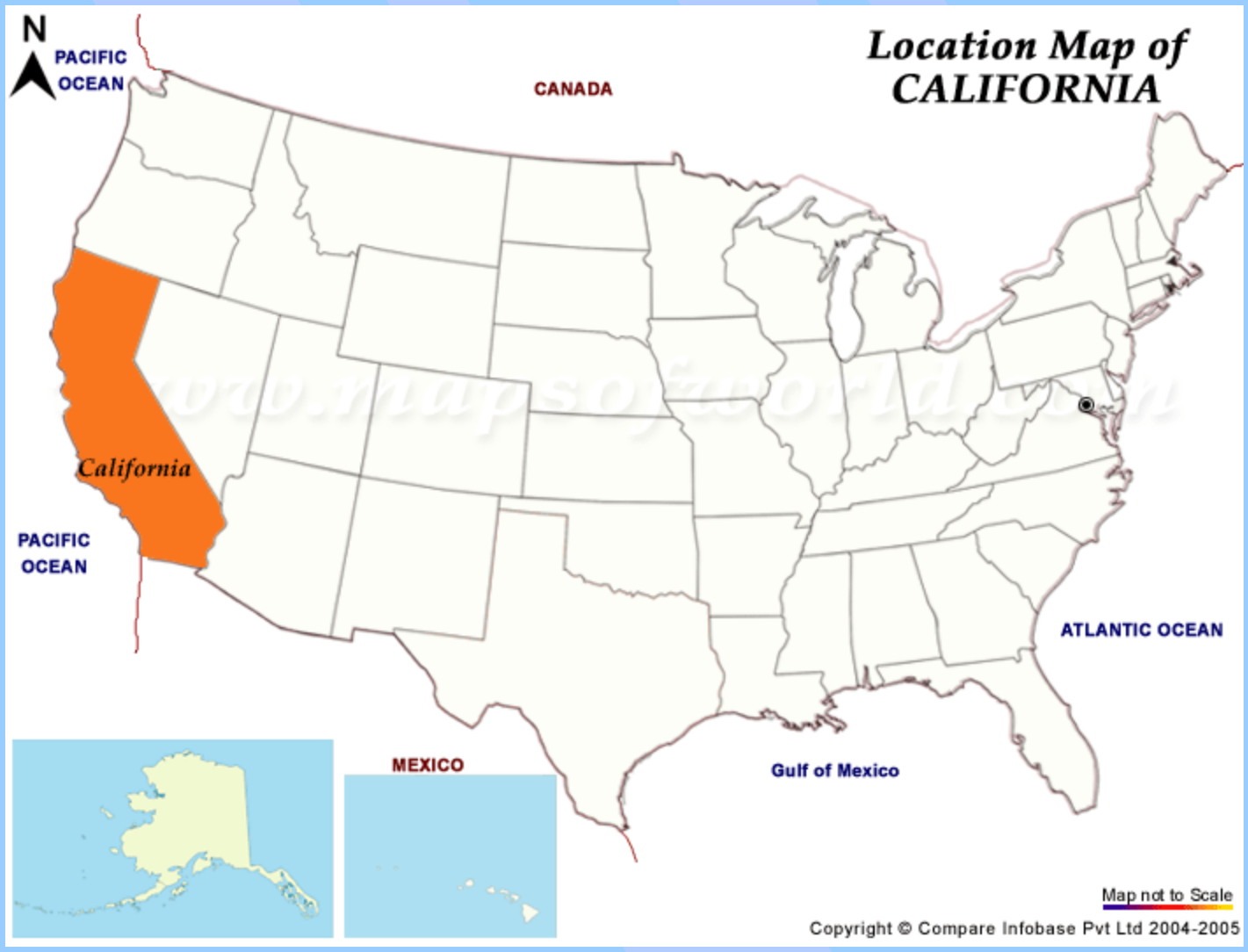


HOTEL

SOUTH

California

Population = 37 Million



Labor Force = 18 Million

Nov. 2006

- *Governor*
- *Lieutenant Governor*
- *Secretary of State*
- *Controller*
- *Treasurer*
- *Attorney General*
- *Insurance Commissioner*
- *Members of Board of Equalization*

Nov. 2006

Nov. 2006

Nov. 2006

- 1A Tighter earmark of gas tax for transportation
- 1B Transportation bond $20 billion
- 1C Housing bond $3 billion
- 1D School bond $10 billion
- 1E Flood bond $4 billion
- 83 Increased penalties: sex offenders
- 84 Water, flood, park bonds $5 billion
- 85 Parental notice: teen abortions
- 86 Tobacco tax for health programs
- 87 Oil tax: alternative energy research
- 88 Parcel tax for K-12 schools
- 89 Increased corporation tax for campaign finance
- 90 Limits on eminent domain

Transcontinental Railroad
Promontory Point
Omaha
Sacramento

CALIFORNIA REPUBLIC

CALIFORNIA REPUBLIC

Direct Democracy

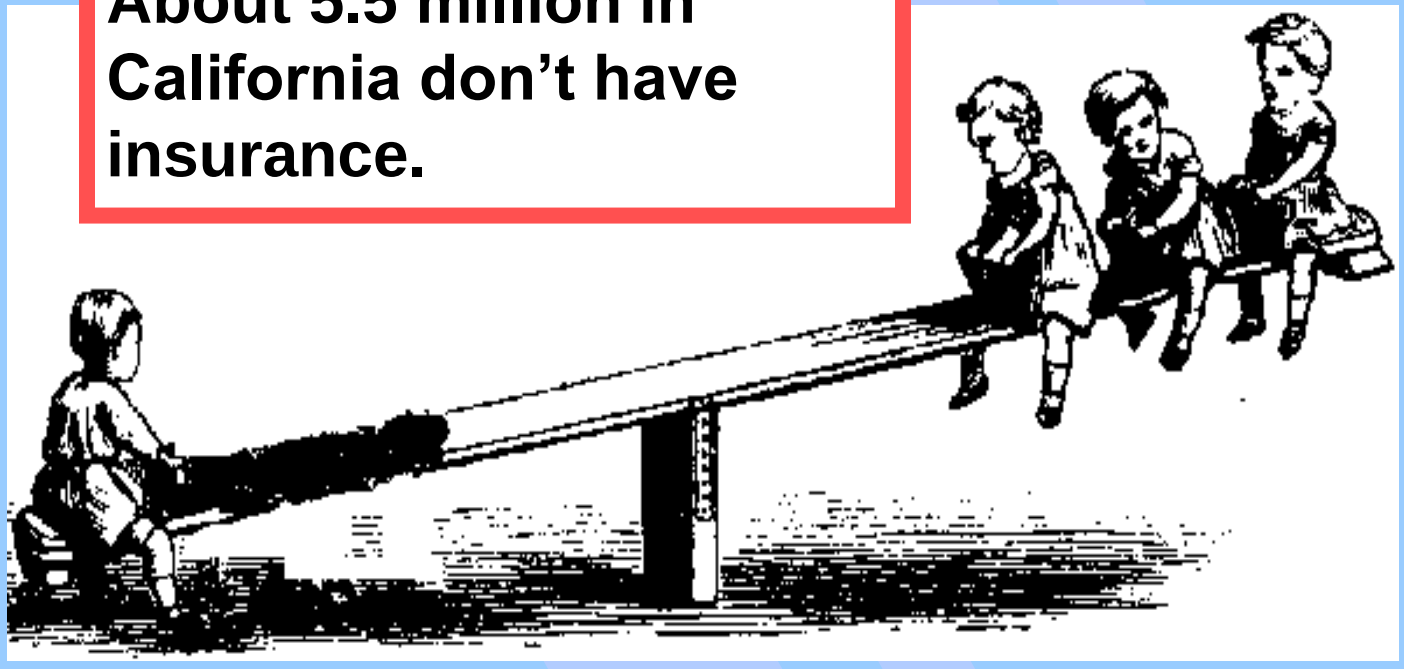
- Gov. Hiram Johnson
  - Initiative, referendum, recall
  - Workers' compensation
  - Women's suffrage

1910

Hiram Johnson

Individual vs. Group

Result: About 45 million don't have insurance. About 5.5 million in California don't have insurance.



U.S

Health insurance mainly provided by employers voluntarily

Europe

Health insurance mainly provided by government

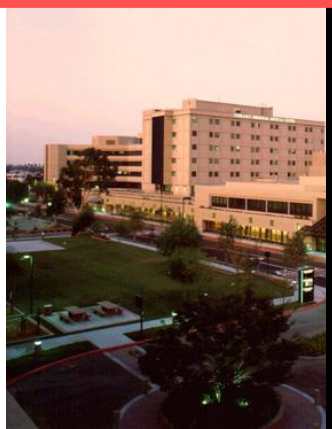
Interest Groups

CALIFORNIA NURSES ASSOCIATION
Shaping Tomorrow's Health Care

CALIFORNIA CHAMBER of COMMERCE℠

- **Employers**
  - **Already provide insurance**
  - **Don't provide insurance**
- **Unions**
- **Insurance companies**
- **Doctors**
- **Hospitals**
- **Local governments especially counties**

BlueCross of California



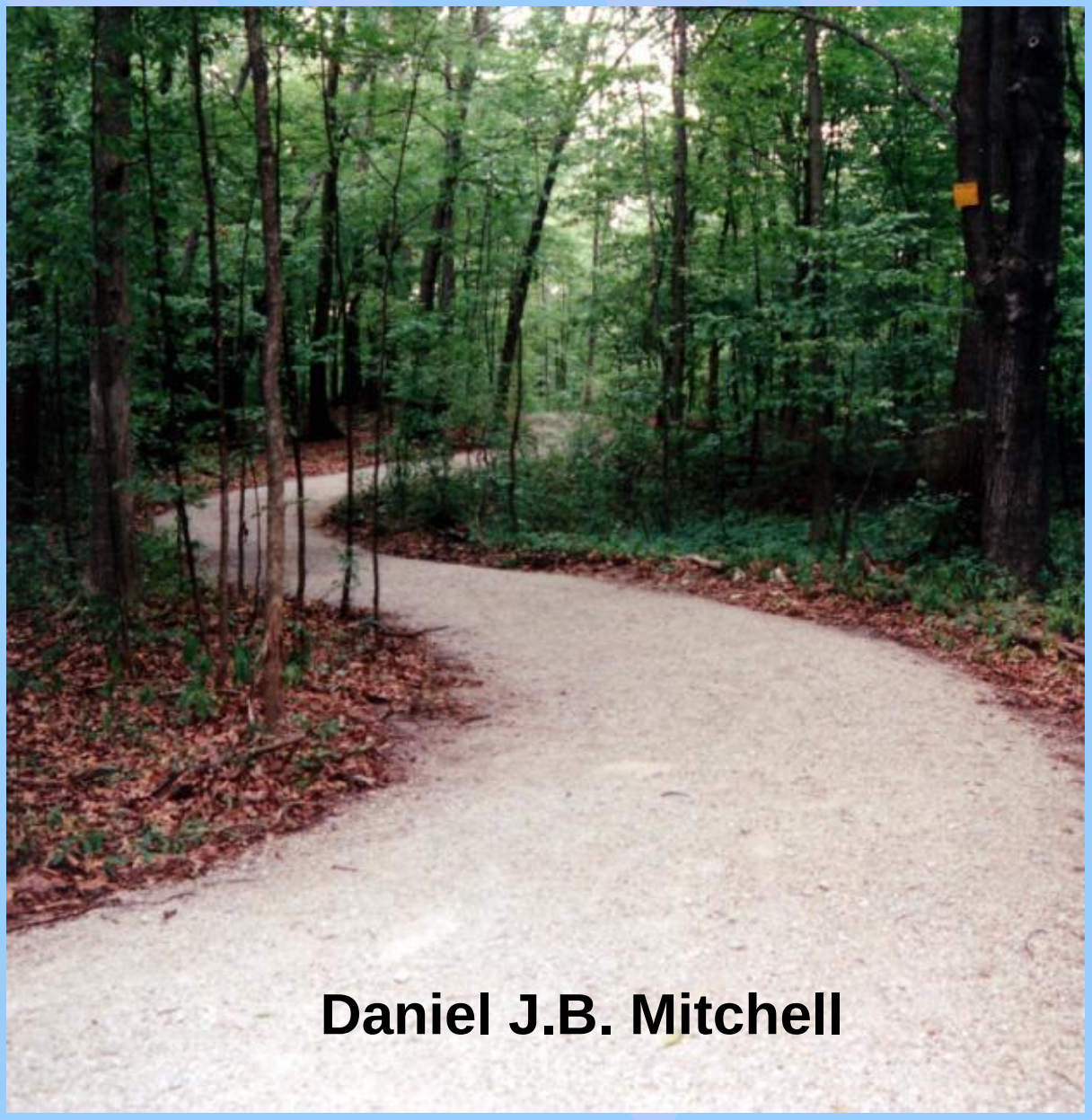
Recent TV Ads

Recent TV Ads

Questions

Sept. 19, 2007

Employment and Public Policy



Daniel J.B. Mitchell

Sept. 19, 2007